

State of Delaware Office of Auditor of Accounts

Department of Natural Resources and Environmental Control Division of Fish and Wildlife

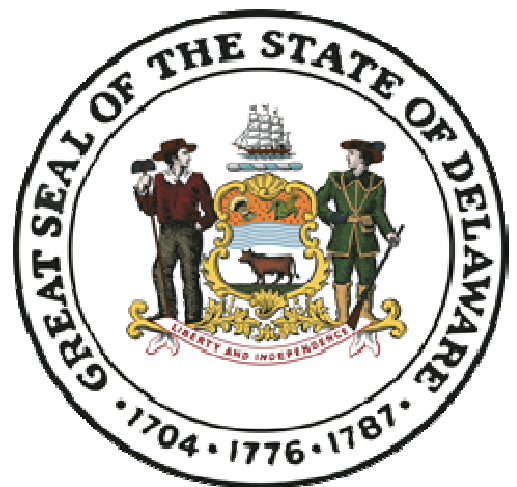
Computers for State Agent Licensing Centers

Special Investigation

Fieldwork End Date: November 10, 2010

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Auditor of Accounts





State of Delaware
Office of Auditor of Accounts
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At a Glance

Working Hard to Protect YOUR Tax Dollars

WHY WE DID THIS REVIEW

The Office of Auditor of Accounts (AOA) received allegations regarding State Funds used to purchase computer equipment at State Agents authorized to sell hunting and fishing licenses.

BACKGROUND

In Fiscal Year end June 30, 2007, the Delaware Legislature approved funding to assist State authorized vendors with automating the licensing process.

AOA performed the investigation in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

For further information on this release, please contact:

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DEPARTMENT OF NATURAL RESOURCES & ENVIRONMENTAL CONTROL, DIVISION OF FISH & WILDLIFE
Computers for State Agent Licensing Centers

Computer equipment purchases in the amount of \$24,000 were not put to use at the State Agents in a timely manner.

While some of the delays in deploying computer equipment were unforeseen issues with the State Agent's readiness, the Department of Natural Resources and Environmental Control (DNREC) could have managed the purchasing process to address such delays.

The investigation also identified that computers had warranties of \$537, more than twice the replacement value of the equipment under warranty. Of the \$78 thousand spent on computer equipment, almost \$34 thousand was for warranties.

In conclusion, DNREC should ensure that computer equipment is implemented timely and that purchases are made based on immediate need. This will also help avoid unnecessary purchases of equipment. Additionally, cost benefit analysis should be made prior to purchases that include such a steep charge for warranties.

Please read the complete report for all conclusions, related recommendations, and DNREC's response.

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Background, Allegation, and Conclusion

Background

The mission of the Delaware Department of Natural Resources and Environmental Control (DNREC) is to protect and manage the State's vital natural resources, protect public health and safety, provide quality outdoor recreation and to serve and educate the citizens of the First State about the wise use, conservation, and enhancement of Delaware's environment.

The Division of Fish and Wildlife (DFW) conserves and manages the fish and wildlife resources of the State; conducts biological surveys and studies of living resources throughout the State; provides safe and enjoyable fishing, hunting, and boating opportunities to the citizens of Delaware and its visitors; manages approximately 60,000 acres including ponds, wildlife and water access areas and facilities for public use and enjoyment; and improves the public's understanding and interest in the State's fish and wildlife resources through information and outreach programs.

All funds derived from the issuance of licenses issued by the Department for hunting, trapping, and fishing are to be specifically set aside and used for matching federal aid to the State for wildlife and fishing restoration. Any funds remaining are to be used for the management of fish and wildlife resources.

In an effort to transition from manual licenses to automated licenses, DNREC developed software and implemented the eGov Licensing Application in 2004 for licenses purchased through the internet and directly from DNREC. In 2006, DNREC began developing and testing software for the eGov Agent Licensing module for licenses purchased from retail vendors (agents). This module requires the agent to use a computer to obtain the license. To minimize the economic burden on the licensing agent for obtaining a computer during this transition, the Delaware Legislature approved funding for this program in the Fiscal Year end June 30, 2007.

DNREC was tasked with purchasing the computers, deploying them to the agents who wished to participate, and performing software maintenance. For the period of July 1, 2006 through February 18, 2010, general funds totaling \$270,304.95 were spent on this program. This amount includes \$78,131.95 for computers, printers, and related hardware, \$10,776 for installation and setup of the computers at the agent locations by a contracted vendor, and \$181,397 for software development and maintenance of the eGov Agent Licensing module.

Allegation 1

Computers were purchased for outside Sales Agents to sell hunting and fishing licenses, but have not been deployed timely.

Conclusion

Substantiated.

Fifty-eight Sales Agents are presently enrolled to sell hunting and fishing licenses. Of these, 17 elected to use their own computers and 13 used their own printers instead of the equipment purchased by the State. DNREC reported a total of 65 computers, 75 printers, and related hardware has been purchased for the program since April 2007 at a total cost of \$78,131.95. Of these, 50 computers and 50 printers were

purchased for Sales Agents during April and May 2007. Three years later, nine computers (18%) and three printers (6%) had not been deployed to Sales Agents as of April 20, 2010. See table below:

Purchase Date	Computers Purchased	Computers Not Deployed as of 4/20/10	Printers Purchased	Printers Not Deployed as of 4/20/10
4/30/2007	26	6	10	3
5/21/2007	24	3	40	-
11/23/2009	15 (less 10 returned)	5	-	-
2/19/2010	10	10	25	25
Totals	65	24	75	28

The computer and printer inventory was verified to the equipment maintained at DNREC and the computer maintenance contractor. Invoice documentation disclosed the total unit price per computer purchased as follows:

Computer	\$155.82
Pacific Blue (resolution of monitor)	27.70
CD/DVD	20.08
Virus and spam protection software	61.64
Sub-total	<u>265.24</u>
Hardware warranty, home service initial year	\$169.00
Next business day in-home service three year extended	310.00
Next business day in-home service initial year	35.00
Warranty support three year extended	23.00
Total warranty cost	<u>537.00</u>
Total computer cost	<u>\$802.24</u>

The total cost per computer was \$802.24 with warranties accounting for 67%, or \$537, of the total cost. Since nine computers had not been deployed to the Sales Agents three years after purchase, the warranties were not utilized at a cost of \$4,833.

Computers and printers were not being deployed as quickly as anticipated due to some Sales Agents electing to use their own equipment and delays in programming and testing. It appears computer warranty cost is excessive in relation to the value of the equipment.

We recommend that DNREC purchase computers as needed to avoid stock piling equipment and to maximize the benefits of warranties. Ensuring adequate reviews and planning will prevent unneeded equipment and warranty purchases.

Auditee Response

The equipment not deployed within the warranty period can be attributed to agent delays. Each agent was surveyed on three occasions beginning December 29, 2006. Equipment was ordered based on the agents confirming their readiness and requesting equipment. Nine stores in Delaware were unable to provide

adequate broadband service or local area network service in order for the agency to deploy these computers as originally planned.

The Delaware Legislature supported this one-time funding initiative for acquiring licensing computers and printers in an effort to minimize the economic burden on the licensing agent during this transition from manual licensing to automated licensing.

The equipment that remains in inventory will be utilized to service/maintain the existing systems until completely depleted. The Department has no budgeted funding or intention to repeat this initiative.

Allegation 2

DNREC used a state employee to deploy the computers and perform maintenance even though a vendor was contracted to perform these tasks.

Conclusion

Unsubstantiated.

The contract with the vendor is a “fee for service” agreement in which the vendor submits invoices as the work is performed at an agreed upon rate. AOA reviewed the invoices paid by DNREC to the contracted vendor and compared them to a listing of the sales agents which identifies who performed the installation of the equipment. There were no discrepancies indicating the contracted vendor was paid for work that was actually performed by the state employee.

The conclusion of the allegation(s) is defined as follows:

Substantiated:	The allegation has been verified by competent evidence.
Partially Substantiated:	A portion of the allegation has been verified by competent evidence; however, competent evidence to verify the entire allegation could not be provided by the agency or obtained by AOA.
Unsubstantiated:	Competent evidence was found to dispute the allegation.
Unable to Conclude:	Competent evidence to verify the allegation could not be provided by the agency or obtained by AOA

Distribution of Report

Copies of this report have been distributed to the following public officials:

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Russell T. Larson, Controller General, Office of the Controller General
The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General
The Honorable Thomas J. Cook, Secretary, Department of Finance
The Honorable Ann S. Visalli, Director, Office of Management and Budget
The Honorable James Sills III, Secretary, Department of Technology and Information
The Honorable Collin O'Mara, Secretary, Department of Natural Resources and Environmental Control
Mr. Kristopher Knight, Director, Division of Accounting, Department of Finance

Officials of Investigative Entity

Mr. Robert Zimmerman, Chief Operating Officer, Department of Natural Resources and Environmental Control
Mr. Pat Emory, Director, Division of Fish and Wildlife, Department of Natural Resources and Environmental Control
Mr. Eric B. Burnley, Sr., Chairman, Council on Recreational Fishing Funding

This report can be accessed online through the Auditor of Accounts (AOA) website at <http://auditor.delaware.gov>.